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Jacques Delors: Vision, Revisionism, and the Design of EMU

Dermot Hodson

Few individuals are more closely associated with the project of European Economic Monetary Union (EMU) than Jacques Delors.¹ As French finance minister between 1981 and 1984, Delors played a decisive role in le tournant de la rigueur, the economic U-turn that saw President François Mitterrand abandon expansionary policies in favour of fiscal consolidation, market reforms, and continued membership of the European Monetary System (EMS). This move not only paved the way for France's recommitment to EMU, it also propelled Delors to the presidency of the European Commission, a post that he held between 1984 and 1995.

The Community made major strides towards EMU during Delors' time in Brussels. The signing of the Single European Act in 1986 ended the de facto moratorium on EMU by recalling the EEC heads of state and government's commitment at Paris in 1972 to 'the progressive realization of economic and monetary union' (Heads of State and Government 1972). This set the scene for the European Council's decision at Hanover in June 1988 to convene a high-level committee led by Delors to study and propose 'concrete stages towards this union' (Council of the European Union 1988). The Delors Report, as it came to be known, served as a rough blueprint for the first stage of EMU, which was launched by the European Council in June 1989. This led to a firm commitment to a single currency, alongside looser plans for political union in the Maastricht Treaty, which envisaged two further stages to EMU, the first of which began in January 1994 as Delors entered the final twelve months of his presidency.

Whether Delors was an architect of EMU or more of a draughtsman is a matter of debate within the scholarly literature. For Moravcsik (1998: 435–6), Delors did little more beyond his time as French finance minister than lend his name to a committee in which the preferences of national policy-makers dominated. The Commission president drafted much of the final report. But, Moravcsik argues, it was left to the national central bank governors who made up the majority of this committee to make substantive proposals on the possible design of EMU. Dyson and Featherstone (1999: 717), in contrast, see Delors' approach as a calculated one designed to mollify Bundesbank president Karl Otto Pöhl, while relying on the other central bank governors present to put forward proposals with which the Commission president was sympathetic. Either way, Delors handled his brief well and can claim credit for encouraging consensus within a committee comprised of what Harold James (2012: 237) describes as 'a combination of skeptics and enthusiasts'.

¹ Earlier versions of this chapter were presented at the British Academy in October 2013 and at the National Bank of Belgium in March 2015. Thanks to the participants at these conference and, in particular, Kenneth Dyson, Piers Ludlow, Ivo Maes, and Niels Thygesen for useful comments. The usual disclaimer applies.

This chapter is less interested in Delors' political influence on, than in his personal vision of, EMU. It seeks, in particular, to understand what Delors' idea of EMU was, how it evolved over time, and what its legacy is for contemporary debates about the single currency. In so doing, it tries to reconcile some of the contradictions concerning Delors' reputation as a consummate technocrat with a strong ideological commitment to the European project, as an economist with a passion for theology, and as an enthusiastic proponent of the euro who later admitted to fundamental flaws in EMU's design and execution.

The central argument is that Delors' vision of EMU was a blurred one. Although the Frenchman's public support for the project can be traced back to the early 1960s, he remained vague about the precise meaning and purpose of monetary union until the Delors Committee concluded its work. Even then, the Commission president remained guarded about his plans for European economic governance and remained so after he left the Commission in 1995. Ambiguity is an important part of a diplomat's toolkit (Jönsson and Hall 2003). However, this chapter sees Delors' opacity as more than just a negotiating device. Delors' blurred vision of EMU, it suggests, is indicative of his lived experience as an economist, political activist, and politician en route from Paris to Brussels and back again. Much is made in the literature of Delors' Catholicism and his commitment to European integration (Grant 1994; Dyson and Featherstone 1999; Rollat 1993). Such accounts overstate the ideational importance of Delors' Catholicism for EMU, however, while understating both his reluctance to align himself with any one mainstream macro-economic theory and his unease with European federalism.

Delors' economic eclecticism helps to explain why he did not begin with a fixed definition of EMU and how he was able to build an alliance with the more Keynesian-minded members of the Delors Committee, while making concessions to the Ordo-liberals who sought greater emphasis on price stability, central bank independence, and fiscal discipline. Delors' views on European federalism are also important since they shed light on the Commission president's determination to follow Member States' political lead on EMU and his initial reluctance about championing a centralized approach to monetary policy. They also account for Delors' frustrations regarding debates about political union at Maastricht.

Seen in these terms, Delors' long-term legacy in relation to EMU is a divided one. On the one hand, Delors succeeded where his predecessors as Commission president had failed by keeping an open mind about EMU's design and taking his political cues from the Member States. On the other hand, such pragmatism raises the question of whether Delors thought through the full implications of creating a single currency and whether he could and should have done more to address his concerns over European economic governance.

INSIGHT

Born in Paris in 1925, Jacques Delors was an early and enthusiastic proponent of European monetary cooperation. Having founded the periodical *Citoyens 1960, cahiers d'éducation politique, économique et sociale* in 1960 and served as its first editor, Delors lent his support to the European Commission's Action Programme for the Second Stage of the Community, which suggested that monetary union could go hand in hand with the completion of the single market (see Grant 1994: 24; see also Chapter 3 by Seidel). As a Member of the European Parliament (MEP) from 1979 to 1981, Delors produced a positive assessment of the EMS in his capacity as chair of the Economic and Monetary Affairs Committee (Grant 1994: 44). As French finance minister from 1981 to 1984, Delors faced down calls from within François

Mitterrand's circle of advisers to leave the EMS. This defence of European monetary cooperation helped to cement Delors' reputation at home and abroad and so aided his rise to the presidency of the European Commission. For François Mitterrand, the Berlaymont was a useful place to send one of his more belligerent cabinet members (Delors 2004: 209). Delors' reputation as an economic reformer, meanwhile, endeared him to UK Prime Minister Margaret Thatcher, albeit briefly (Thatcher 2011: 548).

In the months before he took office as Commission president in January 1985, Delors toured national capitals to take soundings from the EEC heads of state and government on EMU, among other ideas for relaunching European integration (Delors 1994: 220). Although national leaders remained circumspect about EMU at this juncture, Delors still made the case for 'increased monetary integration' in his maiden speech to the European Parliament as Commission president (Delors 1985a). What he meant by 'increased monetary integration' at this time was not easy to discern. In a speech to the Confederation of British Industry in October 1985, the Commission President called for 'a genuine European monetary area', but he did not say what such an area would entail other than alluding to the fact that it would go beyond the EMS in its current form (Delors 1985b).

At the Intergovernmental Conference (IGC) on the Single European Act in October and November of that year, Delors was more forthcoming in his call for a full incorporation of the EMS into the new treaty alongside a clause for the creation of a European Monetary Fund, but such proposals failed to win the support of all Member States (Grant 1994: 73). More successful was Delors' support for including a general reference to EMU in the Single European Act, the final text of which recalled EEC heads of states' commitment to EMU in Paris in 1972 and included a new chapter on economic and monetary policy coordination. For Moravcsik (1998: 21) these provisions amounted to no more than a 'rhetorical commitment', but Delors (2004: 280) saw them as providing an impetus for subsequent discussions of EMU.

The heads of state and government signed the Single European Act in February 1986. Thereafter Delors said more about his vision of EMU but still not that much. Appearing before the European Parliament at this time, Delors acknowledged that the time was 'not yet ripe' for radical reform of the EMS and argued, instead, that the free movement of capital was a key stumbling block in this regard (European Commission 1986a). In May 1986, the Commission outlined its 'Programme for the Liberalization of Capital Movements in the Community'. In this Communication it was recognized that free movement would entail 'greater uniformity within the Community of the techniques of monetary control', but it did not say how (European Commission 1986b). Instead, this question was left to a 'forward study' on the implications of financial integration for monetary cooperation, led by Tommaso Padoa-Schioppa, a former director general for economic and financial affairs at the European Commission and someone who would exercise a major intellectual influence on Delors (see Chapter 9 by Masini).

The Padoa-Schioppa Report, which was published in April 1987, weighed its words carefully. It did not call outright for EMU but concluded rather that 'the elimination of exchange-rate controls, coupled with the requirements of exchange-rate stability . . . will require moving closer to the unification of monetary policies' (Padoa-Schioppa 1987: 3–4). It was not so much this policy conclusion that attracted attention as the economic reasoning that underpinned it. Member States faced an inconsistent quartet, Padoa-Schioppa memorably argued, between completing the single market, facilitating the free movement of capital,

ensuring exchange-rate stability, and maintaining autonomy in monetary policy. Having embarked on the single market project, in other words, Member States faced a choice between national monetary policies and EMU.

Delors' reading of Padoa-Schioppa's report was a curious one. Although the Commission president needed no convincing that capital market liberalization would serve as a catalyst for European monetary cooperation, he paid little heed in public to Padoa-Schioppa's implicit critique of the EMS as a half-way house between national autonomy in macro-economic matters and no autonomy at all. Instead, Delors continued to champion the EMS as a successful exchange-rate regime that would encourage stability in Europe and in the international monetary system more generally (e.g. Delors 1987).

Political tactics were clearly at play here, but so too were economic convictions. This tension in the Commission president's thinking came to a head during the Exchange Rate Mechanism (ERM) crises of 1992–3. Speaking to the European Parliament in the aftermath of 'Black Wednesday', when the United Kingdom exited the ERM, Delors acknowledged that EMU had 'presupposed a medium-term economic strategy, based on gradual convergence of our economies, underpinned by the consolidation and the successes of the European Monetary System' (Delors 1993). Padoa-Schioppa laboured under no such illusion. The inconsistent quartet, he would later write, meant that 'it would have been Utopian to consider an adjustable peg such as the EMS as being indefinitely sustainable [since] . . . the only sustainable solution indeed was the single currency' (Padoa-Schioppa 2000b: 2).

Although Delors maintained his mantra in public on strengthening of the EMS, he stepped up his campaign for EMU behind closed doors. At the European Council in Copenhagen in December 1987 Delors canvassed EC leaders about convening a 'wise-persons' group on EMU but said nothing about this issue in public (Delors 1994: 420). Whereas German foreign minister Hans-Dietrich Genscher and French finance minister Édouard Balladur put forward bold plans in early 1988 for a European central bank with a single currency, Delors struck a conservative tone at this time. The EC should not abandon the 'pragmatic approach that has served us well' he told MEPs in January 1988, while indicating that continued efforts to promote the European Currency Unit (ECU) as a private currency and overhaul the European Monetary Cooperation Fund would suffice for the time being (Delors 1988). Such public caution did not, however, prevent Delors from holding a series of bilateral behind the scenes meetings with German Chancellor Helmut Kohl on EMU in the months ahead. It was on the basis of these meetings that Kohl arrived at the idea of a high-level committee on EMU, chaired by Delors, a decision that was ratified by the European Council in Hanover in June 1988 (Dyson and Featherstone 1999: 712).

Delors brought his considerable political talents to bear in the Committee for the Study of Economic and Monetary Union. The twelve central bank governors and three external participants who made up the Delors Committee may have shared causal beliefs about the importance of low inflation and stable exchange rates and a normative commitment to European monetary cooperation (Verdun 1999). But they came to the forum with disparate views about EMU and varying degrees of good will. Bundesbank President Karl Otto Pöhl cast himself as leader of the awkward squad, and it took a concerted effort from Delors to keep the German central banker engaged in the work of the committee (see Dyson and Featherstone 1999: 342–8). What Delors did not bring to the committee was a clear and compelling vision of EMU. For the most part, the Commission president was content to let other committee members take the floor (Dyson and Featherstone 1999: 714). He also

allowed Tommaso Padoa-Schioppa, as co-rapporteur, to shape the terms of discussion through position papers and a skeleton draft of the final report (James 2012: 246–8).

To suggest that Delors was agnostic about EMU's design would be misleading. Initially, as Dyson and Featherstone (1999: 717) note, Delors favoured a European Monetary Fund tasked with coordinating Member States' monetary policy in keeping with the French tradition on EMU. He was not wedded to this approach, however, and left open the door to the idea of a European central bank with centralized control of monetary policy even before the committee had met (Delors 1988). Delors was less guarded on the fiscal dimension of EMU, arguing against binding fiscal rules on government borrowing on the grounds that financial market discipline would keep Member States in check (James 2012: 252).

For all his reticence about national fiscal rules, Delors was reluctant to leave fiscal policy to the discretion of Member States. Here he made the case for a political counterweight to the ECB that could facilitate 'an EC countercyclical policy' (Dyson and Featherstone 1999: 718). To this end, he called for an increase in the Community budget from 1.2 to 3.0 per cent by the year 2000 (James 2012: 253). This idea was not backed in the final report, which considered a number of arguments in favour of a supranational budgetary authority (Thygesen 1989: 639–40), while accepting that 'the centrally managed Community budget [was] likely to remain a very small part of total public sector spending' (Committee for the Study of Economic and Monetary Union 1989: 19–20).

In addition to his role as chair, Delors presented two background papers to the Committee for the Study of Economic and Monetary Union. The first was a short note, more political than economic in character (Delors 1989a). On the surface this note offered a descriptive overview of the key stages in European monetary cooperation since the Werner Report. This chronology was punctuated, however, by a cautionary tale about the 'creeping paralysis' that results when Member States reject the Community method, an approach to policy-making that emphasizes the 'progressive and limited transfer of powers to common institutions possessing a real power to make decisions' (Delors 1989b: 64).

The second paper was richer in economic analysis. In this piece, Delors focused on the risks of regional imbalances in EMU and policy options available in the absence of national exchange-rate policy. Delors covered familiar ground here by arguing that the experience of more mature monetary unions, although by no means uniform, pointed towards 'a substantial development of the budgetary function of the EC in the case of monetary union' (Delors 1989b: 82). More innovative were his thoughts on the possible functions of such a budgetary instrument, with the schemes 'designed to compensate for institutional rigidities in factor or price mobility' or 'sustain income and demand in the regions . . . that may be economically weakened' rejected in favour of 'decentralized supply-side regional policies' focused on 'subsidized investments in physical infrastructure and human capital' (Delors 1989b).

It is in regional policy that Delors' imprint on the committee's final report is most discernible. Although the report steered clear of explicitly recommending a centralized budgetary instrument, it acknowledged concerns over regional imbalances in EMU and underlined the need for 'common policies aimed at structural change and regional development' (Committee for the Study of Economic and Monetary Union 1989: 16). Having given a cautious welcome to the Delors Report at the European Council in Madrid in June 1989, EC heads of state and government decided in December of that year to convene an IGC on EMU. In approaching this conference, Delors stood by the conclusions of his eponymous committee for the most part, even on those points on which the central bank

governors had overruled him. In a note circulated to EC finance ministers in March 1990, the Commission president agreed that EMU would be based on a common monetary policy controlled by an independent central bank, something which he had initially resisted in the Delors Committee, and 'in the budgetary policy field, a system of coordination and voluntary constraints designed to guarantee both consistency with the stability-oriented monetary policy and a satisfactory overall policy-mix' (European Commission 1990a).

Having previously rejected the need for binding rules on government borrowing, the Commission president now argued that 'the convergence of budgetary policies can . . . be sought more appropriately through procedures to which all Member States would be bound' (European Commission 1990a). No mention was made here of the pecuniary sanctions that would be provided for under the Maastricht Treaty's Excessive Deficit Procedure (EDP). Delors was not against a rules-based approach per se but argued for the incorporation of 'budgetary rules or guidelines into national law' and a 'graduated response' to profligate Member States, beginning with recommendations and ending with 'the withdrawal of conditional Community budgetary assistance' (European Commission 1990a).

If Delors presented an essentially conservative view of EMU's architecture, he could not resist a few embellishments. Noticeable in this regard was a reprisal of arguments for strengthening regional funds for EMU, including a centralized budgetary instrument to provide a 'shock-absorber mechanism capable of reacting promptly in the event of unexpected economic shocks' (European Commission 1990a). The aforementioned reference to conditional assistance was also significant since it hinted at the need for a fiscal crisis-resolution mechanism. On this point Delors was adamant that a no-bail-out clause did 'not exclude conditional assistance' (European Commission 1990a).

Aside from an agreement by Member States to establish a new EU regional policy instrument, the Cohesion Fund, the IGC on EMU offered Delors few of these additional desiderata. Still, such negotiations were plain-sailing for the Commission president compared to the IGC on political union, agreed in April 1990. Although the IGC turned out to have little to do with EMU, Member States agreed to instigate intergovernmental cooperation in the domains of foreign and security policy and justice and home affairs. In their letter to the Irish presidency of the EC in April 1990, Kohl and Mitterrand, the two driving forces behind political union, called for an acceleration of 'the political construction of the Europe of the Twelve' not only because of 'far-reaching changes in Europe' but also in view of 'the realisation of economic and monetary union' (Kohl and Mitterrand 1990).

If Delors was primed for a debate on EMU in 1988, he was less keen to have one on political union two years later. Having failed to convince Kohl and Mitterrand to convene a high-level committee to explore the concept of political union, he made little attempt to disguise his unease with the project (Dyson and Featherstone 1999: 722). Speaking in Ireland in April 1990, the Commission president asked: 'Why has the question of the political and institutional future of the Community become topical?' (Delors 1990a). His answer, on this occasion, touched on Germany's concern that German unification should take place within a European context, the perceived discord between economic and political integration, and the need for greater democratic and political accountability as part of moves towards EMU. Relevant though these issues were, Delors struggled to weave them together into a coherent narrative and in so doing demonstrated just how speculative his thinking on political union was at this juncture.

The following months brought more rather than less confusion for Delors. Having intended to publish a plan on political union in April 1990, the Commission delayed doing so until October of that year (Grant 1994). This text was a motley collection of proposals on foreign policy cooperation, democratic legitimacy, and institutional questions, all very much in keeping with the subject matter of the IGC but no less lacking in coherence for that. These proposals divided Member States to varying degrees, as did draft treaties circulated by the Luxembourg and Dutch EC presidencies. Having railed against the Luxembourg draft for its failure to uphold the Community method, Delors tried but failed to secure support for the Dutch draft, only to see Member States switch back to the Luxembourg draft. As a result of this reversal, Delors found himself marginalized in the IGC on political union and sorely disappointed with the final text (Wester 1992: 212). The Commission president's doubts about the Maastricht Treaty, he would later admit, were one reason why he remained aloof from France's close-run referendum campaign in 1992 (Delors 1994: 275).

In January 1993, Delors agreed to serve a third truncated term as Commission president, so as to allow the European Parliament to exercise its new consultative role in appointing the College of Commissioners from January 1995. Speaking to MEPs in the midst of the ERM crisis and a yet-to-be-resolved political emergency over Denmark's rejection of the Maastricht Treaty in 1992, Delors cut a disconsolate figure. 'The economy is in crisis', he told MEPs, 'society is in crisis, democracy is foundering . . . [t]he very idea of a united Europe is in peril' (Delors 1993).

Amid this doom and gloom, Delors' growing preoccupation with the competitiveness of the European economy became apparent. It was this issue rather than EMU that came to define his final two years in office. Key in this respect was the Commission's 1993 White Paper on Growth, Competitiveness and Employment, a detailed policy plan designed to 'foster debate and to assist decision-making at decentralized national or Community level—so as to lay the foundations for the sustainable development of the European economies, thereby enabling them to withstand international competition while creating the millions of jobs that are needed' (European Commission 1993). This White Paper was long on economic ideas, short on specific proposals, and shorter still in its ambition for the Community to take centre stage in relation to economic and social policies. Mention was made of EMU, most noticeably in the White Paper's calls for closer economic policy coordination and a more balanced macro-economic policy mix, but it was vague on how best to achieve these ends. Striking in this regard was the Commission's reticence about the Broad Economic Policy Guidelines (BEPGs), a set of non-binding guidelines on economic policy provided by the Maastricht Treaty, which would later come to be seen as central to the EU's efforts at macro-economic policy coordination (see Deroose et al. 2008). Here the report hinted at a lack of consensus when it noted that 'all Member States' accept the case for 'a stable framework for macroeconomic policy', while acknowledging that only 'a number of Member States advocate the use of guidelines provided for in the Treaty' to this end (European Commission 1993). Either way, the White Paper produced few tangible policy outputs during Delors' remaining months as Commission president, which after a decade of policy activism ended with a whimper rather than a bang.

Many expected Jacques Delors to return to a high-level position in French politics after his time as Commission president. By late 1994 he was seen by some as the candidate best placed to lead the Left to victory in the following year's presidential election (Tudor 1994). In the end, however, Delors refused to stand, leaving the question of what impact he would have had as French president as one of the great 'what if' questions about EMU. Having

ruled out a run for the Elysée, Delors returned to Paris to found the think-tank Notre Europe in 1996.

Through his activities at Notre Europe Delors emerged as and remained a prolific commentator on European affairs, particularly during periods of perceived crisis for the European project. The reform of EMU is a recurring theme in such commentary, with Delors championing the success of the single currency while calling for greater emphasis on economic growth relative to fiscal discipline and for an ‘economic government’ (gouvernement économique) to serve as a counterweight to the European Central Bank (ECB). Here again Delors’ precise vision of EMU is difficult to discern. Among his more concrete recommendations in this regard is a pact for economic policy coordination (pacte pour la coordination des politiques économiques). However, even this proposal, which was put forward in 1997 to counter negotiations over the Stability and Growth Pact (SGP), is couched in generalities about cooperation in areas such as budgetary policy and structural reform (Delors 1997).

The Euro Area crisis, it would seem, has had only a limited impact on Delors’ thinking about EMU. True, the former Commission president became blunter in his assessment of the single currency’s shortcomings and more critical of EU and national policy-makers as the Euro Area’s sovereign debt crisis worsened. But, in so doing, he offered a familiar vision of the functioning of EMU.² In December 2011, Delors hit the headlines when he admitted that the euro suffered from ‘a fault in execution’ (Moore 2011). Far from being a mea culpa, what Delors meant by this remark was not that the Delors Report or the IGC on EMU had been mistaken but that Member States had failed to heed his warnings in the early years of EMU about the need for a more comprehensive coordination of economic policies.

As the crisis worsened, Delors went further in his calls for a fonds de régulation conjoncturelle (Delors 2013). This fund, it would seem, is a return to Delors’ earlier idea of the need for a centralized budgetary instrument. But, as always, such proposals are sketched with a broad brush rather than in fine detail, leaving his precise vision of EMU a matter of interpretation.

HINDSIGHT

Having described Delors’ particular vision of EMU, this chapter moves on to explore the political and intellectual context in which his views arose. It is important to note that he had a personal connection to the world of central banking. His father, Louis Delors, was a messenger boy at the Banque de France. Louis was not entirely satisfied with this position at the bank, but he put pressure on his son to apply for a traineeship there. Delors, who had planned to go to film school, reluctantly agreed, passed the entrance exam and joined the Banque de France in October 1945 (Grant 1994: 9).

Biographers say little about Delors’ time at the central bank, but it was here that the future Commission president spent 17 years learning about the fundamentals of economic policy. Grant (1994: 11), for example, concludes that ‘neither the nature of the work nor the bank’s culture inspired’ Delors. Milesi (1995) mentions Delors’ time at the central bank only in passing and focuses instead on his fledgling political activities in the 1950s and 1960s. Although Delors’ first five years at the Banque de France were spent in an essentially

² Euractiv, ‘Delors points the finger at Europe’s “killers”’, 29 March 2012. Full text available at: <<http://www.euractiv.com/future-eu/delors-denounces-killers-europe-news-511850>>.

managerial role—he ran a team responsible for processing securities transactions—his later role in the cabinet of the director general for stocks and money markets ensured an education in the functioning of financial markets, exchange rates, and public finances (Delors 2004: 38–9). This was also a period of intensive academic study for Delors, who took a three-year diploma from the Centre d'études supérieures de banque, during which time he attended classes on economics, finance, and banking (Delors 2004: 37).

Delors quit the Banque de France in 1962 to join the French Planning Commission (Commissariat général du Plan), but a sense that he saw unfinished business in the world of central banking is discernible at different stages of his subsequent career. In 1972 Delors was appointed by Valéry Giscard d'Estaing to the general council of the Banque de France. Later Delors said of this move that he was delighted to be back at the central bank and to have an opportunity to enrich his knowledge of economic and monetary affairs (Delors 2004: 135). In 1981 Delors became French finance minister and hence a key actor in relation to monetary policy. He was not a free agent here, however, as evidenced by his frustration in autumn 1982 over the government's decision to cancel a proposed interest-rate cut on state savings accounts. When François Mitterrand later offered him the post of prime minister, Delors made it a condition that he would assume control of monetary policy (Delors 2004: 210). Mitterrand was unwilling to accept such terms, however, and Delors remained as finance minister, albeit with an enlarged portfolio and a higher rank in cabinet. Another instance of Delors' enduring interest in central banking was his decision as president of the European Commission to attend monthly meetings of the Committee of EC Central Bank Governors. This was not a standard operating procedure for a Commission president but a deliberate attempt by Delors to gain access to the 'enclosed world of central banking' (Dyson and Featherstone 1999: 708).

If this account gives a sense of Delors' personal connection to the world of central banking, it does not tell us where his intellectual influences came from and how they shaped his vision of EMU. Scholars seeking to understand Delors' motivations as a political actor have placed great emphasis on his Catholic faith (see, for example, Grant 1994: 236–9; Drake 2000: 30). The interplay between politics and religion certainly seems to have been important for the young Delors, who joined the international movement *La Jeunesse ouvrière chrétienne* and developed an interest in social Catholicism through his involvement in the trade union *La Confédération Française des Travailleurs Chrétiens*. Ross places particular emphasis on Delors' Jansenism, a strain of Catholic thought comparable to Calvinism (Ross 1995: 176). Dyson and Featherstone go further by arguing that Jansenism endowed Delors with a moral seriousness, a frugality, an individualistic streak, a tendency towards pedagogy and didacticism, and a concern for solidarity, all of which made their mark on his approach to EMU negotiations (Dyson and Featherstone 1999: 695–6). It is not difficult to recognize Delors in some of these character traits, but Jansenism is a broad collection of beliefs that can be reconciled with a variety of personality types and political philosophies (see, for example, McLendon 2006).

Scholars seeking to understand Delors' Catholicism have also attached great importance to his interest in Emmanuel Mounier, a French Catholic philosopher who in the 1930s developed a 'personalist' critique of 'bourgeois civilization' that called for greater emphasis on individualism and communitarianism (e.g. Grant 1994: 12–15; Ross 1995: 17). Personalism is arguably a better philosophical fit for Delors than Jansenism for two reasons. First, Delors has made little public comment about his Jansenism but, in contrast, has rarely missed an opportunity to talk about Mounier. A case in point is Delors' speech to the College

of Europe in October 1989 in which he stated his position 'as an advocate of personalism also, and as a disciple of Emmanuel Mounier whose influence will, I am sure, become once again very important as Europeans will notably become aware of the impasses resulting from wholesale individualism' (Delors 1989c). Second, rarefied though these ideas are, there is an intellectual link between personalism as a political philosophy and the idea of European integration. As Loughlin (1993: 1) notes, a sense of frustration with the nation-state is a recurring theme for those personalists who believed in the 'bypassing of the nation-state by a double movement or rather one movement with two aspects: "returning to the sources"; and building a federal Europe'. Although there is some overlap between Delors' and Mounier's thinking on international issues, personalism finds clearer expression in Delors' involvement in the 1950s and 1960s in *La Vie nouvelle*, a Social Catholic movement inspired by Mounier's teaching (Delors 1975: 38–9).

How important Delors' Catholicism was for his presidency of the European Commission is a matter of debate. He was certainly not a politician who was comfortable talking about his faith, describing himself in an interview long after he left Brussels as a 'secular catholic' who was critical of public figures who wore their religion on their sleeves (Delors 2004: 311–13). As Commission president, Delors emphasized dialogues with all faiths as well as with non-believers (Delors 2004: 330), and his vision of European society was one that encompassed several religions as well as the Continent's secular and intellectual traditions. Meanwhile, Delors' relations with Pope John Paul II were strained, the pontiff being wary of the Commission president's social Catholicism (Grant 1994: 83).

Some scholars see Delors as using his faith to strategic advantage in his dealings with another Catholic politician, Chancellor Helmut Kohl (Hutton 2008). While it is true that the French Socialist and the Germany Christian Democrat had a rapport, it had as much to do with their shared beliefs in this world than in the next. Delors was very much a man of the French Left, but his politics were more complicated than this label suggests. After the Second World War, he joined not the French section of the Workers' International (Section Française de l'Internationale Ouvrière, SFOI) but Charles de Gaulle's Popular Republican Movement (Mouvement républicain populaire, MRP), based on the belief that the latter was closer to his social Catholicism (Delors 1975: 27). Delors left the MRP after a matter of months, but he did not completely cut ties with the Right. This can be seen, for example, in Delors' willingness to serve as an adviser to Gaullist prime minister Jacques Chaban-Delmas between 1969 and 1972 (Ludlow forthcoming) and in his association with the politically mercurial Pierre Mendes France (Delors 2004: 86). Delors eventually joined the French Socialist Party in 1974 but he would retain, Wolfram Kaiser (2007: 325) suggests, a Christian Democratic side to his political character. This fact could explain Delors' close working relationship with Germany's Kohl, with Luxembourg's Jacques Santer and Jean-Claude Juncker (Delors 2004: 274), and with Belgium's Phillipe Maystadt (Dyson and Featherstone 1999: 707), as well as with other members of what Karl Magnus Johansson (2002) calls the Christian Democrat coalition on EMU.

One issue on which Delors' Catholicism is said to have shaped his Commission presidency concerns his championing of the idea of subsidiarity (Burgess 2000). Subsidiarity, the principle whereby 'the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States' (Article 5, Treaty on European Union) is referenced in the Delors Report (Committee on Economic and Monetary Union 1989: 18) and associated with the Catholic tradition (Follesdal 1998: 207). Care must be exercised, however, before jumping between Delors' religious and political beliefs and his

wider intellectual influence on EMU. For one thing, there is significant slippage between Delors' usage of the term subsidiarity and that of Catholic theologians (Spicker 1991). Nor is subsidiarity a concept that Delors can claim copyright on, the European Parliament having done much to popularize the term in the 1970s (Peterson 1994). The United Kingdom was another early champion of subsidiarity, even if it did not use the term, and helped to ensure that the Community's embryonic environmental policy included a principle about the concentration of Community activity on areas where it was likely to be most effective (Golub 1996: 688). This principle was codified in the Single European Act's provisions on environmental policy—the first reference to subsidiarity in the Treaties—under protest from Delors, who described the language agreed by Member States on environmental policy as 'window dressing' (Golub 1996: 690).

The fact that EU scholars have paid so much attention to Delors' religious beliefs is, in one sense, testament to just how difficult it is to discern the influence of one or more mainstream macro-economic policy paradigms on his thinking. Take, for example, Margaret Thatcher's conversion to monetarism in the 1970s, the subject of a classic case study by Peter Hall. In this account, Hall (1993) acknowledges the importance of political philosophy for Thatcher's approach: *The Road to Serfdom* by Hayek is cited as a key influence in this regard. But he suggests that it was Milton Friedman's monetarism that ultimately informed her rejection of the post-war Keynesian consensus. This is more than supposition on Hall's part who can point towards the influence on Thatcher of think-tanks with an interest in monetarist economics and the appointment of monetarist-minded advisers, including Friedman himself, after the Conservatives won the 1979 general election. It is difficult to tell a similar story about Delors, who has variously been described as monetarist and neo-Keynesian but who remained reluctant to break with Keynesianism, even if he was critical at times of its application. This can be seen, for example, in Delors' refusal to see the embrace of rigour (*le tournant de la rigueur*) as a paradigm shift from Keynesianism to monetarism. 'I prefer the expression stable money rather than strong money', he would later say of his policies during this period, 'because the latter has taken on a monetarist connotation' (Delors 1994: 160). Although Thatcher may have been a grudging admirer of French economic policy under Delors, the feeling was not mutual (Thatcher 2011: 81). The policies of Thatcher, he suggested, were not without reason, but they were excessively *laissez-faire* and neo-liberal for his tastes (Delors 1994: 80).

For Maes (2004), Delors is a part of the 'orthodox' triptych in the French economic policy-making tradition, alongside Jacques Rueff, a noted economic adviser to President Charles de Gaulle, and Raymond Barre, who served as prime minister of France (see Chapter 4 by Howarth). Rueff, Barre, and Delors showed a preference for rigour during periods of high crisis for the French economy that was at odds with what Maes (2004) calls 'pragmatic Keynesians and left-wing economists' of the day. And yet, there were important differences between Rueff and Barre on the one hand and Delors on the other. Rueff and Barre were members of the economic establishment. Rueff, for example, debated James Tobin in the *Quarterly Journal of Economics* over Keynesian theory (Rueff 1947, 1948); while Barre (1966) introduced generations of students to economic theory with his two-volume textbook *Économie politique*. Delors made no such contribution to the mainstream economics literature and was, by comparison, altogether more heterodox in his approach to the discipline.

Evidence of Delors' eclectic economic thought can be found in his work as an academic economist. In 1973 he quit his role at the Interministerial Committee for Professional

Training, which he had taken up after Chaban-Delmas lost the premiership twelve months earlier, to take up a post as visiting professor at Université Paris-Dauphine. At this institution, Delors taught a course on the comparative political economy of employment and industrial relations and established a research centre entitled 'Travail et Sociétés' (Delors 2004: 137). It was at this time that Delors, by his own admission, developed his thinking on the problem of inflation. This can be seen, for example, in his 1975 book, *Changer*, which devotes a chapter to inflation (Delors 1975: chapter 18). Here Delors makes the intellectual case for what would later become his policy of rigour by criticizing the government for trying to inflate their way out of downturns and social partners for their irresponsible wage demands (Delors 1975: 305). There is also hint of monetarism in Delors' criticism of central banks for pursuing lax monetary policy alongside a call for closer cooperation between national monetary authorities. There is no reference to the macro-economic rationale for such coordination, however, with Delors concentrating instead on the need for an international approach to prudential supervision (Delors 1975: 298). If a large multinational bank were unable to meet its obligations, then the inability of policy-makers to intervene in the way the Banque de France can in relation to French banks, he warns, would result in a 'gigantic international crash' (Delors 1975: 298).

Changer also goes beyond mainstream macro-economic theory by offering a twist on the classic problem of demand-push inflation. Excessive demand is a key source of inflationary pressures, Delors speculates, in part because of the advertising industry's encouragement of 'false needs' (Delors 1975: 301). He would develop this line of argument in a background paper for a European Parliament study on the 'problem of inflation' (Delors 1976). In this paper, which Delors later said did much to develop his interest in inflation, he took aim at the problem of ostentatious and wasteful consumption as key drivers of rising prices. Noticeable by their absence here are detailed references to monetary and fiscal policy and the role of social partnership. Instead, Delors looks to the state's role in managing the demand for scarce resources, inter alia, by investing in public transport, encouraging the production of durable goods and after-sales services, and promoting recycling (Delors 1976: 40), recommendations that recall his time at the French Planning Commission between 1962 and 1979.

These writings on inflation in the 1970s offer only a glimpse of Delors' thinking, but they do point towards an economic eclecticism that is important for understanding his subsequent views on EMU. First, they suggest a practical concern for real-world policy problems, such as inflation, rather than a theoretical predilection for specific policy solutions. Seen in these terms, it is not surprising that Delors championed France's continued membership of the EMS during his time as French finance minister, while seeking to reform European monetary cooperation during his tenure as Commission president. Similarly, it is not surprising that he advocated fiscal discipline for France while resisting binding fiscal rules for EMU and that he continued to champion the EMS until the exchange-rate crisis of 1992–3. In all three cases, Delors' policy advice was tailored to prevailing economic conditions and challenges rather than a commitment to a particular policy paradigm. Second, Delors' search for policy solutions to such challenges reveals a basic affinity with Keynesianism but an openness to the insights of monetarism and policy planning. Such eclecticism helps to understand how Delors started out with a more or less Keynesian conception of EMU before backing an institutional design that owed more to German Ordo-liberalism with its emphasis on stability-oriented monetary policies, central bank independence, and fiscal discipline.

If Delors' economic eclecticism shaped his blurred vision of EMU, then so too did his particular views on European integration. Delors is sometimes described as a federalist (Ross

1995: 47). However, such claims overlook the Frenchman's ambivalence about European federalism. Although Delors would occasionally use the F-word (Delors 1990b), he neither joined the Union of European Federalists nor found common cause with federalist founding fathers such as Altiero Spinelli before or during his time as Commission president (Drake 2000: 18). There was no shortage of opportunities for such alignment since Spinelli and Delors were both elected to the European Parliament in 1979, but the two men clearly had different political priorities in mind. Whereas Spinelli brought federalist MEPs together in the Crocodile Club, Delors founded the Amigo Club to encourage an informal exchange of views between social democratic MEPs. Nor did Delors, as Commission president, show much enthusiasm in public for Spinelli's Draft Treaty Establishing the European Union, which was published in 1984 and which included among its aims 'the progressive achievement of full monetary union'.³

There are at least three reasons why Delors was reluctant to throw in his lot with the European federalists and all three are relevant for understanding his blurred vision of EMU. First, federalism's inherent idealism rested uneasily with Delors' commitment to the art of the politically possible. Federalists such as Spinelli sought new competences for the Community across a wide range of policy areas with little apparent regard for their feasibility, but Delors preferred a minimalist approach based on identifying specific integrationist initiatives that enjoyed the support of key Member States. EMU did not initially enjoy such support, as Delors found out when he toured national capitals in 1984. This was one reason why he stuck to comparatively vague language about the reform of the EMS until signs of support for EMU started to emerge from France and Germany (Delors 1994: 220). It may also explain why Delors, having made the case for a centralized budgetary instrument in negotiations over the Maastricht Treaty, did not push harder on this issue after the Treaty was ratified. Second, the fact that European federalism came to be associated with the centralization of powers at the supranational level jarred with Delors' long-standing interest in the decentralization of power (Drake 2000: 17–18). Although this interest found its clearest expression in Delors' support for subsidiarity, it can also be seen in his initial reluctance to countenance a supranational monetary authority and a single currency.

A third and final tension centres on the issue of a *finalité politique*. Whereas federalists such as Spinelli had in mind 'the definitive abolition of the division of Europe into national sovereign States', Delors preferred to talk of a 'European federation of nation states' a term that seeks to accommodate national and European ambitions while remaining vague as to the precise nature of such accommodation.

Seen in this light, Delors' unease with the link between EMU and political union at Maastricht is not hard to understand. Whereas federalists such as Spinelli were only too willing to sketch out their plans for political union, Delors saw projects such as the single market and EMU as decisive steps towards political union but did not offer a clear sense of where they might lead to. Such hesitancy can be seen, for example, in 'Europe's Ambitions', an essay published by Delors on the eve of the IGC on political union (Delors 1990b). In this publication, Delors offered a thoughtful overview of the challenges facing the EU in the post-Cold War period, ranging from the Community's need to take the lead on issues such as democracy promotion and the proliferation of weapons of mass destruction to environmental policy. What Delors does not do here is say how the Community should address such challenges. It was not until the IGC was underway, indeed, that Delors made his first speech

³ 'Draft Treaty Establishing the European Union', Official Journal of the European Communities, No. C 77/33, 14 February 1984.

on the modalities of European security cooperation and even then his thoughts were tentative (Delors 1991).

FORESIGHT: CONTRIBUTION AND LEGACY

So much for the origins of Delors' vision of EMU. What about its relevance in light of the single currency's successful launch in 1999 and its subsequent difficulties after the global financial crisis struck in 2007? Viewed through a long-angle lens, Delors can claim credit for succeeding where his predecessors at the European Commission fell short. Although he benefited from economic and political headwinds that the likes of Roy Jenkins and Robert Marjolin did not enjoy, Delors showed himself to be a more accomplished navigator. Both Marjolin, as Commissioner for economic and monetary affairs in the early 1960s, and Jenkins, as Commission president in the late 1970s, put forward grand visions for EMU that fell foul of the central bank governors and/or national governments (see Chapter 3 by Seidel and Chapter 6 by Ludlow).

Delors, in contrast, began with a blurred vision of EMU that remained in the background until signs of political support within key Member States emerged and came into clearer focus only after national governments had agreed on a blueprint for EMU. Moravcsik (1998) is correct in saying that national policy-makers determined the final draft of the Delors Report, but this conclusion downplays Delors' agnosticism about EMU's design and his ability as chair to bridge the divide between Keynesian and non-Keynesian conceptions of European monetary cooperation. Whether Jenkins, a more ardent Keynesian (see Jenkins 1978), or Marjolin, to whom the central bank governors did not warm (James 2012: 60), would have managed this feat is debatable. Nor is it certain that Karl Otto Pöhl, who would presumably have chaired the Committee on the Study of EMU in Delors' absence (Dyson and Featherstone 1999: 712), could have produced a workable blueprint for monetary union, given the Bundesbank president's initial scepticism about the project and cavalier approach to the committee.

Delors' blurred vision may have been a strategic advantage in negotiations about EMU, but, seen through the rear-view mirror, it raises the question of whether he put politics before economics in his pursuit of a single currency. Although the preceding discussion challenges the conception of Delors as a European federalist, he did see EMU as a means to further the cause of European integration. Pursuing integration for integration's sake is a recipe for impetuous policy-making, and Delors, for his part, may have been guilty of undue haste in his pursuit of EMU. During his time as Commission president, there was scope for a more rigorous assessment of the economics of EMU. True, the Padoa-Schioppa Report, which Delors commissioned, helped to highlight the risks to fixed exchange-rate regimes from capital mobility. But, as noted previously, the Commission president's reading of this report was a selective one, which downplayed Padoa-Schioppa's warnings over the EMS and reworked his choice between full and flexible exchange rates into a gradualist argument for EMU.

This reticence about understanding EMU from first principles can be seen in the Delors Report, which at Delors' insistence stuck to its task of analysing the how of EMU rather than the why (Dyson and Featherstone 1999: 715–16) and in the Commission's cost–benefit analysis of EMU, 'One Market, One Money' (European Commission 1990b). Detailed though the latter was, it was published only after stage one of EMU was underway. The report's dismissive approach to optimum currency area theory as being 'a too narrow and somewhat outdated framework of analysis' (European Commission 1990b: 31) was also

symptomatic of Delors' reluctance to engage with so-called Anglo-Saxon economists, whom he saw as having an anti-EU agenda (see Moore 2011). Imperfect though optimum currency area theory may be, it would have helped to focus Delors' mind on the need to reduce exposure to asymmetric shocks and enable adjustment mechanisms in the absence of nominal exchange rates.

Slavish devotion to one economic theory can produce tunnel vision, but an eclectic approach that jumps between theories can lead to inconsistent analysis. Delors' vision of EMU, it could be argued, suffered from two key inconsistencies. The first was its lack of regard for the problem of cross-border financial supervision in EMU. Although this charge could be levelled at a long list of economists, Delors himself seemed well aware in the mid-1970s that the international financial system was ill-prepared to deal with troubled multinational banks (Delors 1975: 298). Yet he said little about this issue when it came to debate on EMU in the 1980s and 1990s, even though the Padoa-Schioppa Report explicitly called for a coordinated approach to financial supervision (Padoa-Schioppa 1987: 47).

The second more glaring inconsistency in Delors' vision concerns his analysis of the fiscal dimension of EMU. During debates about EMU's design Delors argued against binding fiscal rules at the EU level, which he saw as unworkable, and for a modest increase in the EU budget to allow for cyclical stabilization (James 2012: 252–3). Having found himself on the losing side of both arguments, it is then puzzling why Delors did not push harder for a reconfiguration of EMU's fiscal dimension after the Maastricht negotiations concluded. Political pragmatism may explain Delors' reticence. The Commission did undertake a major study on public finances in EMU, but its publication was delayed, according to Charles Goodhart, an economist who contributed to the report, so as not to jeopardize negotiations over the EU budget at Edinburgh in 1992 (Goodhart 2006: 247). A degree of economic myopia in Delors' vision of EMU was also discernible. Always self-critical on such matters, Delors suggested in a lecture to mark the fiftieth anniversary of the Journal of Common Market Studies that he may have placed too much faith in EU regional policy to promote convergence between Member States (Delors 2013).

If Delors' vision of EMU fell short in these and other respects it also remains highly salient in others. Although his faith in the ability of market mechanisms to keep public finances in check is difficult to defend, given the low long-term interest rates enjoyed by high-debt Member States such as Belgium, Italy, and Greece during the first ten years of EMU, the Commission president was right to foresee political difficulties in the implementation of fiscal deficit and public debt criteria of the SGP. Whether Delors' proposal for a corresponding *pacte pour la coordination des politiques économique* would have made much difference here is difficult to say. But it can be seen as a forerunner to the Macroeconomic Imbalance Procedure launched in 2011 to address the kind of cross-country growth and inflation differences that marred the first decade of the euro. Also prescient here was Delors' call in March 1990 for the incorporation of 'budgetary rules or guidelines into national law', an idea that would be later codified in the Fiscal Compact, an intergovernmental treaty designed to promote closer economic policy coordination in light of the global financial crisis and that entered into force in January 2012.

Delors will also see his legacy in *Towards a Genuine Economic and Monetary Union*, a high-level report presented by the president of the European Council Herman Van Rompuy in December 2012 (Van Rompuy 2012). Not only does the title of this report echo Delors' call in 1985 for 'a genuine European monetary area' (Delors 1985b), it also owes an intellectual

debt to the former Commission president's proposal for financial inducements for supply-side reforms and a centralized budgetary mechanism for EMU. Whether the political-economy obstacles to such proposals are any more surmountable than they were in the 1980s and 1990s is a moot point, but what is clear is that Delors' vision of EMU, however blurred, remains relevant.

In conclusion, Delors was without doubt a highly visible player in the founding of EMU, even if scholars disagree as to whether his role was a leading or supporting one. This chapter has sought to understand Delors' intellectual contribution to the project by exploring how and why he came to support the idea of EMU before considering his legacy in light of the single currency's ups and downs. Delors' vision of EMU is a blurred one, it was argued, insofar as he has been unwavering in his support of the project since the early 1960s but wilfully obscure at times about what sort of EMU he was in favour of. Prior to joining the European Commission in 1985, Delors' enthusiasm for EMU was a long-standing matter of record, but his thinking on whether it would involve closer macro-economic policy coordination or the ceding of policy-making powers to the supranational level was not. Upon assuming the role of Commission president, Delors weighed his words carefully about the merits and modalities of monetary union until his work as chair of the Committee on the Study of Economic and Monetary Union was done. He said even less about EMU's institutional design after the Maastricht Treaty was signed. Since leaving the Commission in 1995, Delors has been consistently critical of Member States for failing to embrace some form of European economic government, but his remarks on this matter leave open the question of precisely what he has in mind.

This blurred vision of EMU reflected Delors' economic eclecticism as well as his ambivalent relationship with European federalism. On the first of these points, Delors was seen to have a more or less Keynesian outlook, but his criticisms of Keynesian economic policies in France and his openness to alternative approaches, be it monetarism, policy planning, or heterodox economics, suggested a reluctance to align himself with any one mainstream macro-economic theory. This helps to understand Delors' reluctance to define EMU in strict terms and his willingness to look beyond Keynesian conceptions of economic and monetary policy during EMU negotiations.

On the second point, Delors saw EMU as a means to further the cause of European integration, but his pragmatic and philosophical objections to European federalism help to explain his reticence at various points towards centralized approaches to decision-making in the embryonic Euro Area. It also places Delors' evident unease when it came to discussions of political union at Maastricht within its proper intellectual context. Turning to Delors' legacy in relation to the euro, EMU may ultimately be the product of a political process in which Member States chose to cede control over monetary policy to the supranational level. But Delors helped to facilitate this process through his adroit approach to the project and his adept chairing of the Committee on the Study of Economic and Monetary Union. Here Delors' economic eclecticism and equivocal views on European federalism were a strategic asset since they sensibly encouraged him to hold fire on EMU until signs of support from key Member States emerged and, thereafter, to build bridges between policy-makers with Keynesian and Ordo-liberal conceptions of EMU, not to mention varying degrees of commitment to the European project.

All of this raises the question, however, of whether Delors put politics before economics in his pursuit of EMU and whether a more candid approach to the constraints of a one-size-fits-

all monetary policy would have encouraged more prudent economic policies by Euro Area members in the run-up to the global financial crisis. Key inconsistencies in Delors' vision of EMU included his failure to follow up on initial concerns about international prudential banking supervision and his reluctance to press the case for strengthening EMU's fiscal dimension. That said, Delors can claim to have been ahead of the curve in predicting problems with the implementation of the SGP, even if his proposals for an alternative approach to economic policy coordination remained vague. Delors' vision of EMU can also be seen to a certain degree in reforms to EMU enacted or proposed in the light of the global financial crisis, including the codification of national fiscal rules under the Fiscal Compact and plans to offer financial inducements for supply-side reforms and to develop a fiscal capacity. In this sense, though Delors may not be the visionary that he is sometimes said to be, his vision of EMU remains an illuminating one.

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